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Major Moves Help Desk

Office of Governor Mitch Daniels

Quote of the Day:

"Our highest bidder [SMP] has met and possibly exceeded our expectations in living up to the letter and spirit of this agreement"
Mayor Richard Daley (D-Chicago)
Times of Northwest Indiana 2/1/06

Did you Know?

- SMP's winning bid estimates the cost of upgrades and improvements to the Indiana Toll Road at $4.4 billion in 2006 dollars—accounting for inflation, improvements would exceed $10 billion.
- In 1954, $280M of bonds were issued to build the Indiana Toll Road. Today we have ~$225M of bonds outstanding, so we've paid down $55M of debt in 52 years.

Get to know Statewide Mobility Partners (SMP)

Macquarie Infrastructure Group (MIG)
Listed on the Australian Stock Exchange since 1996

Market capitalization of $6.1 billion (US)

Strong history of financial stability and performance

Parent Company's Bond Ratings (MBL):
Fitch—A+
Moody's—A2
S&P—A

Answers to FW Journal Gazette Questions from Saturday

What do the non-compete provisions mean for northern Indiana's transportation network? Exactly what improvements can be made to U.S. 20 that won't face a legal challenge from the Toll Road operator? The 263-page lease agreement only limits Indiana's ability to build a NEW competing interstate-quality highway longer than 20-miles within 10-miles of the Indiana Toll Road. It does not limit the State's ability to maintain and upgrade existing roads, and build other forms of transportation. As it pertains to US 20, the State can add lanes, build new bridges, fill pot holes, and make any other necessary improvements, as long as it does not upgrade US 20 for more than 20 continuous miles to interstate standards – with entrance and exit ramps and no cross streets.

Will the state be adequately protected if a party of the Spanish-Australian consortium goes bankrupt or if the lease changes hands multiple times? If Statewide Mobility Partners goes bankrupt, the state will resume operations of the Toll Road and keep the $3.85 billion. The lease also states Indiana must approve any sale, reassignment, or hiring of a third-party contractor to manage operations of the Toll Road. If the company is sold, Indiana has the right to veto the sale of the lease if it is not in the state's best interests. The lease also forbids Statewide Mobility Partners from using the Toll Road as collateral for loans concerning its other business operations – so the company's creditors will not have a lien against the road.

What provisions are in the legislation to ensure that state wage and hour provisions apply to projects funded by the lease proceeds? Can union laborers be shut out of the work entirely? The legislation does not alter Indiana labor laws. Hoosier workers will hold the same rights and protections as they currently enjoy. Indiana unions strongly support Major Moves because they know it will create thousands of jobs in many sectors.

How quickly can the Toll Road lease be terminated if the operator violates terms of the agreement? Indiana retains the right to take any emergency action necessary on the Toll Road during the lease. So, if an emergency situation presents itself, the state can take action immediately. If the operator is in breach of the contract, the operator has 90 days to fix the problem. If they do not, the lease gives the two sides 60-days to resolve their differences; then the State can resume operations of the road and keep the $3.85 billion. The State could also be reimbursed for any costs or damages incurred as a result of that breach.

What effect will it have on developments in the modes of transportation that are destined to occur over the next seven decades? The lease is better for Hoosiers if dramatic changes occur in transportation over the next 75 years. Currently, if new technology reduces traffic on the Toll Road, Hoosier taxpayers are responsible for repaying the Toll Road's loans. The state takes the risk that people will continue to use the road or we'll have to find other tax dollars to pay off those loans. By leasing the Toll Road, the private company assumes those risks. The state is not liable for the financial success of road. If Hoosiers are using flying cars in 50 years, the company is losing its investment – not the state.

[W]hat about the term of the lease? Does it really make sense to spend 75 years' worth of proceeds in just 10 years? It's important to honestly discuss Toll Road finances. The Indiana Toll Road is not a revenue stream to the State. The Toll Road pays for itself (although it has lost money in 5 of the last 7 years). In the 50+ years of the Indiana Toll Road, it has generated less than $50 million for use by the 7 Toll Road Counties for its projects and no money in the last 8 years. The money generated is used to operate, maintain, and improve the Toll Road. Indiana is not giving up a stream of revenue that can be used for other projects. On the other hand, leasing the Toll Road does provide a stream of revenue to fund the largest transportation construction program in Indiana history while also transferring the costs of operating, maintaining, and upgrading the road to the private company. In addition, the lease requires the private company to make the improvements on the Toll Road that Indiana cannot afford to make – over $200 million in the next three years and an estimated $4.4 billion in improvements in today's dollars over the next 75 years.

New Major Moves Website Launched

Today the State of Indiana launched a new website about Major Moves. The site contains a copy of the lease agreement, the winning bid, a list of all of the Major Moves projects, fact sheets about Major Moves, and answers to frequently asked questions and myths about Major Moves.

www.majormoves.in.gov